

HEALTH ANNUAL STATEMENT

For the Year Ending December 31, 2001

OF THE CONDITION AND AFFAIRS OF THE

Ultimed HMO of Michigan, Inc.

NAIC Group Code		NAIC Company Code	95751	Employer's ID Number	38-3145808
	(Current Period)		(Prior Period)		
Organized under the Laws of	Michigan	State of Domicile or Port of Entry	Michigan		
Country of Domicile	United States of America				
Licensed as business type:	Life, Accident & Health[] Vision Service Corporation[]	Property/Casualty[] Other[]	Health Service Corporation[] Health Maintenance Organization[X]	Dental Service Corporation[] Is HMO Federally Qualified? Yes[X] No[]	
Date Incorporated or Organized	12/13/1993	Date Commenced Business	08/14/1994		
Statutory Home Office	2401 20th Street (Street and Number)	Detroit, MI 48216 (City, or Town, State and Zip Code)			
Main Administrative Office		2401 20th Street (Street and Number)			
	Detroit, MI 48216 (City or Town, State and Zip Code)	(313)961-1717 x (Area Code) (Telephone Number)			
Mail Address	2401 20th Street (Street and Number or P.O. Box)	Detroit, MI 48216 (City, or Town, State and Zip Code)			
Primary Location of Books and Records		2401 20th Street (Street and Number)			
	Detroit, MI 48216 (City, or Town, State and Zip Code)	(313)961-1717 x (Area Code) (Telephone Number)			
Internet Website Address					
Statement Contact	Harley K. Brown (Name)	(313)961-1717 x (Area Code)(Telephone Number)(Extension)			
	hbrown@ultimed-hmo.com (E-Mail Address)	(313)961-4028 x (Fax Number)			

OFFICERS

President/CEO	Harley K. Brown
Secretary	Eddie Hall Jr.
Chief Financial Officer	Michael O. Martin
Chief Operating Officer	Robin M. Barclay

VICE PRESIDENTS

Alvin G. McClinton	Leon H. Atchison
Kanzoni Asabigi	Abdul Baaghil #
Jena Baker #	Fred Prime #
William C. Sharp M.D.	

DIRECTORS OR TRUSTEES

Ignacio Salazar	Ernest Wines
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State of	Michigan
County of	Wayne ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manuals except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively.

(Signature) Harley K. Brown (Printed Name) President	(Signature) Eddie Hall (Printed Name) Secretary	(Signature) Michael O. Martin (Printed Name) Treasurer
	a. Is this an original filing?	Yes[X] No[]
	b. If no,	
Subscribed and sworn to before me this	1. State the amendment number	
day of	2. Date filed	
, 2002	3. Number of pages attached	

(Notary Public Signature)

ASSETS

		Current Year			Prior Year
		1	2	3	4
		Assets	Nonadmitted Assets	Net Admitted Assets	Net Admitted Assets
1.	Bonds				
2.	Stocks:				
2.1	Preferred stocks				
2.2	Common stocks				
3.	Mortgage loans on real estate:				
3.1	First liens				
3.2	Other than first liens				
4.	Real estate (Schedule A):				
4.1	Properties occupied by the company (less \$..... encumbrances)	252,839	247,349	(a)..... 5,490	275,228
4.2	Properties held for the production of income (less \$..... encumbrances)				
4.3	Properties held for sale (less \$..... encumbrances)				
5.	Cash (\$.....2,686,800, Schedule E - Part 1) and short-term investments (\$.....2,110,410, Schedule DA - Part 2)	4,797,210		4,797,210	7,679,547
6.	Other long-term invested assets				
7.	Receivable for securities				
8.	Aggregate write-ins for invested assets				14,791
9.	Subtotals, cash and invested assets (Lines 1 to 8)	5,050,049	247,349	4,802,700	7,969,566
10.	Accident and health premiums due and unpaid	42,709		42,709	
11.	Health care receivables	200		200	744,416
12.	Amounts recoverable from reinsurers				
13.	Net adjustment in assets and liabilities due to foreign exchange rates				
14.	Investment income due and accrued				
15.	Amounts due from parent, subsidiaries and affiliates	300,000		300,000	218,693
16.	Amounts receivable relating to uninsured accident and health plans				
17.	Furniture and equipment	8,810		8,810	1,672
18.	Amounts due from agents				
19.	Federal and foreign income tax recoverable and interest thereon (including \$.....45,691 net deferred tax asset)	451,191	45,691	405,500	
20.	Electronic data processing equipment and software	100,097	10,196	89,901	204,044
21.	Other nonadmitted assets				
22.	Aggregate write-ins for other than invested assets	792,516		792,516	
23.	Total assets (Lines 9 plus 10 through 22)	6,745,572	303,236	6,442,336	9,138,391
DETAILS OF WRITE-INS					
0801.	Inventories (Urgent Care)				14,791
0802.	.....			
0803	.....			
0898.	Summary of remaining write-ins for Line 8 from overflow page				
0899.	TOTALS (Lines 0801 through 0803 plus 0898) (Line 8 above)				14,791
2201.	EDP Equipment Purchased 12/01 but not installed	792,516		792,516	
2202	.....			
2203	.....			
2298.	Summary of remaining write-ins for Line 22 from overflow page				
2299.	TOTALS (Lines 2201 through 2203 plus 2298) (Line 22 above)	792,516		792,516	

(a) \$..... health care delivery assets included in Line 4.1, Column 3.

LIABILITIES, CAPITAL AND SURPLUS

		Current Year			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less \$..... reinsurance ceded)	1,876,213		1,876,213	4,262,626
2.	Accrued medical incentive pool and bonus payments	616,309		616,309	402,997
3.	Unpaid claims adjustment expenses				
4.	Aggregate policy reserves				
5.	Aggregate claim reserves				
6.	Premiums received in advance				
7.	General expenses due or accrued	307,857		307,857	391,992
8.	Federal and foreign income tax payable and interest thereon (including \$..... on realized capital gains (losses)) (including \$..... net deferred tax liability)				
9.	Amounts withheld or retained for account of others				
10.	Borrowed money (including \$..... current) and interest thereon \$..... (including \$..... current)				
11.	Amounts due to parent, subsidiaries and affiliates				
12.	Payable to securities				
13.	Funds held under reinsurance treaties with (\$..... authorized reinsurers and \$..... unauthorized reinsurers				
14.	Reinsurance in unauthorized companies				
15.	Net adjustments in assets and liabilities due to foreign exchange rates				
16.	Liability for amounts held under uninsured accident and health plans				
17.	Aggregate write-ins for other liabilities (including \$.....164,820 current)	551,400		551,400	
18.	Total liabilities (Lines 1 to 17)	3,351,779		3,351,779	5,057,615
19.	Common capital stock	X X X ...	X X X ...	1,400,000	1,400,000
20.	Preferred capital stock	X X X ...	X X X ...		
21.	Gross paid in and contributed surplus	X X X ...	X X X ...	460,000	460,000
22.	Surplus notes	X X X ...	X X X ...		
23.	Aggregate write-ins for other surplus funds	X X X ...	X X X ...		
24.	Unassigned funds (surplus)	X X X ...	X X X ...	1,230,557	2,220,776
25.	Less treasury stock, at cost:	X X X ...	X X X ...		
25.1	..... shares common (value included in Line 19 \$.....)	X X X ...	X X X ...		
25.2	..... shares preferred (value included in Line 20 \$.....)	X X X ...	X X X ...		
26.	Total capital and surplus (Lines 19 to 24 minus 25)	X X X ...	X X X ...	3,090,557	4,080,776
27.	Total liabilities, capital and surplus (Lines 18 and 26)	X X X ...	X X X ...	6,442,336	9,138,391
DETAILS OF WRITE-INS					
1701.	Equipment Loan Payable	551,400		551,400	
1702	.....			
1703	.....			
1798.	Summary of remaining write-ins for Line 17 from overflow page				
1799.	TOTALS (Lines 1701 through 1703 plus 1798) (Line 17 above)	551,400		551,400	
2301	.....	X X X ...	X X X ...		
2302	.....	X X X ...	X X X ...		
2303	.....	X X X ...	X X X ...		
2398.	Summary of remaining write-ins for Line 23 from overflow page	X X X ...	X X X ...		
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	X X X ...	X X X ...		

STATEMENT OF REVENUE AND EXPENSES

		Current Year		Prior Year
		1 Uncovered	2 Total	3 Total
1.	Member Months	X X X	141,789	250,385
2.	Net premium income	X X X	698,373	21,998,435
3.	Change in unearned premium reserves and reserve for rate credits	X X X		
4.	Fee-for-service (net of \$..... medical expenses)	X X X		
5.	Risk revenue	X X X		
6.	Aggregate Write-Ins for Other health care related revenues	X X X	14,290,324	12,769,443
7.	TOTAL REVENUES (Lines 2 to 6)	X X X	14,988,697	34,767,878
Medical and Hospital:				
8.	Hospital/medical benefits		2,957,350	14,459,834
9.	Other Professional Services		2,803,196	2,468,497
10.	Outside Referrals			
11.	Emergency Room and Out-of-Area			
12.	Aggregate Write-Ins for Other Medical and Hospital		5,352,394	11,273,448
13.	Incentive Pool and Withhold Adjustments		213,312	383,971
14.	Subtotal (Lines 8 to 13)		11,326,252	28,585,750
LESS:				
15.	Net Reinsurance Recoveries			
16.	Total medical and Hospital (Lines 14 minus 15)		11,326,252	28,585,750
17.	Claims adjustment expenses		388,600	
18.	General administrative expenses		4,620,291	5,727,472
19.	Increase in reserves for accident and health contracts			
20.	Total underwriting deductions (Lines 16 through 19)		16,335,143	34,313,222
21.	Net underwriting gain or (Loss) (Lines 7 minus 20)	X X X	(1,346,446)	454,656
22.	Net investment income earned		208,272	360,331
23.	Net realized capital gains or (Losses)			
24.	Net investment gains or (Losses) (Lines 22 plus 23)		208,272	360,331
25.	Net gain or (Loss) from agents' or premium balances charged off [(amount recovered \$.....) (amount charged off \$.....)]			
26.	Aggregate write-ins for other income or expenses			
27.	Net income or (Loss) before federal income taxes (Lines 21 plus 24 plus 25 plus 26)		(1,138,174)	814,987
28.	Federal and foreign income taxes incurred	X X X	(379,000)	292,780
29.	Net income (Loss) (Lines 27 minus 28)	X X X	(759,174)	522,207
DETAILS OF WRITE-INS				
0601.	Other Revenue	X X X	170,972	1,267,105
0602.	Urban Hospital Care Plus	X X X	14,119,352	11,502,338
0603	.....	X X X		
0698.	Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X	14,290,324	12,769,443
1201.	Pharmacy		3,194,856	5,288,131
1202.	Transportation		47,533	698,981
1203.	Reinsurance Expense		87,844	229,056
1298.	Summary of remaining write-ins for Line 12 from overflow page		2,022,161	5,057,280
1299.	TOTALS (Lines 1201 through 1203 plus 1298) (Line 12 above)		5,352,394	11,273,448
2601	.....		
2602	.....		
2603	.....		
2698.	Summary of remaining write-ins for Line 26 from overflow page			
2699.	TOTALS (Lines 2601 through 2603 plus 2698) (Line 26 above)			

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1	2
		Current Year	Prior Year
CAPITAL & SURPLUS ACCOUNT			
30.	Capital and surplus prior reporting year	4,080,776	3,533,784
GAINS AND LOSSES TO CAPITAL & SURPLUS			
31.	Net income or (Loss) from Line 29	(759,174)	522,207
32.	Change in valuation basis of aggregate policy and claim reserves		
33.	Net unrealized capital gains and losses		
34.	Change in net unrealized foreign exchange capital gain or (Loss)		
35.	Change in net deferred income tax		24,786
36.	Change in nonadmitted assets	(231,045)	
37.	Change in unauthorized reinsurance		
38.	Change in treasury stock		
39.	Change in surplus notes		
40.	Cumulative effect of changes in accounting principles		
41.	Capital Changes:		
41.1	Paid in		
41.2	Transferred from surplus (Stock Dividend)		
41.3	Transferred to surplus		
42.	Surplus adjustments:		
42.1	Paid in		
42.2	Transferred to capital (Stock Dividend)		
42.3	Transferred from capital		
43.	Dividends to stockholders		
44.	Aggregate write-ins for gains or (Losses) in surplus		(1)
45.	Net change in capital and surplus (Lines 31 to 44)	(990,219)	546,992
46.	Capital and surplus end of reporting year (Line 30 plus 45)	3,090,557	4,080,776
DETAILS OF WRITE-INS			
4401.	Miscellaneous		(1)
4402	.....	
4403	.....	
4498.	Summary of remaining write-ins for Line 44 from overflow page		
4499.	TOTALS (Lines 4401 through 4403 plus 4498) (Line 44 above)		(1)

CASH FLOW

		1	2
		Current Year	Prior Year
Cash from Operations			
1.	Premiums and revenues collected net of reinsurance	15,690,204	34,037,917
2.	Claims and claims adjustment expenses	13,887,953	31,018,999
3.	General administrative expenses paid	4,645,017	5,724,777
4.	Other underwriting income (expenses)		
5.	Cash from underwriting (Line 1 minus Line 2 minus Line 3 plus Line 4)	(2,842,766)	(2,705,859)
6.	Net investment income	208,272	360,331
7.	Other income (expenses)		
8.	Federal and foreign income taxes (paid) recovered	(59,410)	(463,055)
9.	Net cash from operations (Line 5 to 8)	(2,693,904)	(2,808,583)
Cash from Investments			
10.	Proceeds from investments sold, matured or repaid:		
10.1 ...	Bonds		
10.2 ...	Stocks		
10.3 ...	Mortgage loans		
10.4 ...	Real estate		
10.5 ...	Other invested assets		
10.6 ...	Net gains or (losses) on cash and short-term investments		
10.7 ...	Miscellaneous proceeds		
10.8 ...	TOTAL investment proceeds (Lines 10.1 to 10.7)		
11.	Cost of investments acquired (long-term only):		
11.1 ...	Bonds		
11.2 ...	Stocks		
11.3 ...	Mortgage loans		
11.4 ...	Real estate		
11.5 ...	Other invested assets		
11.6 ...	Miscellaneous applications		
11.7 ...	TOTAL investments acquired (Lines 11.1 to 11.6)		
12.	Net cash from investments (Line 10.8 minus Line 11.7)		
Cash from Financing and Miscellaneous Sources			
13.	Cash provided:		
13.1 ...	Surplus notes, capital and surplus paid in		
13.2 ...	Net transfers from affiliates		
13.3 ...	Borrowed funds received		
13.4 ...	Other cash provided	566,191	
13.5 ...	TOTAL (Lines 13.1 to 13.4)	566,191	
14.	Cash applied:		
14.1 ...	Dividends to stockholder paid		
14.2 ...	Net transfers to affiliates	81,307	40,000
14.3 ...	Borrowed funds repaid		
14.4 ...	Other applications	673,317	102,822
14.5 ...	TOTAL (Lines 14.1 to 14.4)	754,624	142,822
15.	Net cash from financing and miscellaneous sources (Line 13.5 minus Line 14.5)	(188,433)	(142,822)
RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS			
16.	Net change in cash and short-term investments (Line 9 plus Line 12 plus Line 15)	(2,882,337)	(2,951,405)
17.	Cash and short-term investments:		
17.1 ...	Beginning of year	7,679,547	10,630,952
17.2 ...	End of year (Line 16 plus Line 17.1)	4,797,210	7,679,547

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS
(Gain and Loss Exhibit)

		1	2	3	4	5	6	7	8	9	10	11	12	13
		Total	Comprehensive (Hospital & Medical)	Medical Only	Medicare Supplemental	Dental Only	Vision Only	Federal Employee Health Benefit Plan	Title XVIII- Medicare	Title XIX- Medicaid	Stop Loss	Disability Income	Long- term Care	Other
1.	Net premium income	698,373	698,373											
2.	Change in unearned premium reserves and reserve for rate credit													
3.	Fee-for-service (net of \$..... medical expenses)													
4.	Risk revenue													
5.	Aggregate write-ins for other health care related revenues	14,290,324								(218,000)				14,508,324
6.	Total revenues (Lines 1 to 5)	14,988,697	698,373							(218,000)				14,508,324
7.	Medical/hospital benefits	2,957,350	448,300							(1,103,304)				3,612,354
8.	Other professional services	2,803,196												2,803,196
9.	Outside referrals													
10.	Emergency Room and Out-of-Area													
11.	Aggregate write-ins for other medical and hospital	5,352,394	188,284											5,164,110
12.	Incentive pool and withhold adjustments	213,312								213,312				
13.	Subtotal (Lines 7 to 12)	11,326,252	636,584							(889,992)				11,579,660
14.	Net Reinsurance Recoveries													
15.	Total medical and hospital (Lines 13 minus 14)	11,326,252	636,584							(889,992)				11,579,660
16.	Claims adjustment expenses	388,600	15,544							66,731				306,325
17.	General administrative expenses	4,620,291	265,366											4,354,925
18.	Increase in reserves for accident and health contracts													
19.	Total underwriting deductions (Lines 15 to 18)	16,335,143	917,494							(823,261)				16,240,910
20.	Net underwriting gain or (Loss) (Line 6 minus Line 19)	(1,346,446)	(219,121)							605,261				(1,732,586)
DETAILS OF WRITE-INS														
0501.	Urban Hospital Care Plus Revenue	14,119,352												14,119,352
0502.	Other	170,972								(218,000)				388,972
0503														
0598.	Summary of remaining write-ins for Line 5 from overflow page													
0599.	TOTAL (Lines 0501 through 0503 plus 0598) (Line 5 above)	14,290,324								(218,000)				14,508,324
1101.	Pharmacy	3,194,856	188,284											3,006,572
1102.	Transportation	47,533												47,533
1103.	Capitation	1,889,320												1,889,320
1198.	Summary of remaining write-ins for Line 11 from overflow page	220,685												220,685
1199.	TOTAL (Lines 1101 through 1103 plus 1198) (Line 11 above)	5,352,394	188,284											5,164,110

UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

		1	2	3	4
Line of Business		Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Columns 1 + 2 - 3)
1.	Comprehensive (medical and hospital)	698,373			698,373
2.	Medicare Supplemental				
3.	Dental only				
4.	Vision only				
5.	Federal Employees Health Benefits Plan Premiums				
6.	Title XVIII - Medicare				
7.	Title XIX - Medicaid				
8.	Other				
9.	TOTALS	698,373			698,373

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 - Claims Incurred During the Year

	1	2	3	4	5	6	7	8	9
	Total	Compre- hensive (Medical & Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other
1. Payments during the year:									
1.1 Direct	13,278,668	460,376						2,008,413	10,809,879
1.2 Reinsurance assumed									
1.3 Reinsurance ceded									
1.4 Net	13,278,668	460,376						2,008,413	10,809,879
2. Paid medical incentive pools and bonuses									
3. Claim liability December 31, current year from Part 2A:									
3.1 Direct	1,876,213	176,208							1,700,005
3.2 Reinsurance assumed									
3.3 Reinsurance ceded									
3.4 Net	1,876,213	176,208							1,700,005
4. Claim reserve December 31, current year from Part 2D:									
4.1 Direct									
4.2 Reinsurance assumed									
4.3 Reinsurance ceded									
4.4 Net									
5. Accrued medical incentive pools and bonuses, current year	616,309							616,309	
6. Amounts recoverable from reinsurers December 31, current year									
7. Claim liability December 31, prior year from Part 2A:									
7.1 Direct	4,262,626							3,111,717	1,150,909
7.2 Reinsurance assumed									
7.3 Reinsurance ceded									
7.4 Net	4,262,626							3,111,717	1,150,909
8. Claim reserve December 31, prior year from Part 2D:									
8.1 Direct									
8.2 Reinsurance assumed									
8.3 Reinsurance ceded									
8.4 Net									
9. Accrued medical incentive pools and bonuses, prior year	402,997							402,997	
10. Amounts recoverable from reinsurers December 31, prior year									
11. Incurred benefits:									
11.1 Direct	10,892,255	636,584						(1,103,304)	11,358,975
11.2 Reinsurance assumed									
11.3 Reinsurance ceded									
11.4 Net	10,892,255	636,584						(1,103,304)	11,358,975
12. Incurred medical incentive pools and bonuses	213,312							213,312	

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - Claims Liability End of Current Year

		1	2	3	4	5	6	7	8	9
		Total	Compre- hensive (Medical & Hospital)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan Premium	Title XVIII Medicare	Title XIX Medicaid	Other
1.	Reported in Process of Adjustment:									
	1.1 Direct	867,872	134,486							733,386
	1.2 Reinsurance assumed									
	1.3 Reinsurance ceded									
	1.4 Net	867,872	134,486							733,386
2.	Incurred but Unreported:									
	2.1 Direct	1,008,341	41,722							966,619
	2.2 Reinsurance assumed									
	2.3 Reinsurance ceded									
	2.4 Net	1,008,341	41,722							966,619
3.	Amounts Withheld from Paid Claims and Capitations:									
	3.1 Direct									
	3.2 Reinsurance assumed									
	3.3 Reinsurance ceded									
	3.4 Net									
4.	TOTALS									
	4.1 Direct	1,876,213	176,208							1,700,005
	4.2 Reinsurance assumed									
	4.3 Reinsurance ceded									
	4.4 Net	1,876,213	176,208							1,700,005

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

Line of Business		Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
		1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred Durring the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1.	Comprehensive (medical and hospital)		460,376		176,208		
2.	Medicare Supplement						
3.	Dental only						
4.	Vision only						
5.	Federal Employees Health Benefits Plan Premiums						
6.	Title XVIII - Medicare						
7.	Title XIX - Medicaid	2,008,413				2,008,413	3,111,717
8.	Other	1,654,227	9,155,652	75,000	1,625,005	1,729,227	1,150,909
9.	Subtotals	3,662,640	9,616,028	75,000	1,801,213	3,737,640	4,262,626
10.	Medical incentive pools, accrual and disbursements			616,309		616,309	402,997
11.	TOTALS	3,662,640	9,616,028	691,309	1,801,213	4,353,949	4,665,623

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF INCURRED CLAIMS
(000 Omitted)

Hospital and Medical

Section A

Year in Which Losses Were Incurred		Net Amounts Paid				
		1 1997	2 1998	3 1999	4 2000	5 2001
1.	Prior .....	.....	.....	.....	.....	.....
2.	1997 .....	.....	.....	.....	.....	.....
3.	1998	X X X .....	.....	.....	.....	.....
4.	1999	X X X	X X X .....	.....	.....	.....
5.	2000	X X X	X X X	X X X .....	.....	.....
6.	2001	X X X	X X X	X X X	X X X	460,376

Section B

Year in Which Losses Were Incurred		Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 1997	2 1998	3 1999	4 2000	5 2001
1.	Prior .....	.....	.....	.....	.....	.....
2.	1997 .....	.....	.....	.....	.....	.....
3.	1998	X X X .....	.....	.....	.....	.....
4.	1999	X X X	X X X .....	.....	.....	.....
5.	2000	X X X	X X X	X X X .....	.....	.....
6.	2001	X X X	X X X	X X X	X X X	656,584

12.1 Underwriting Invest Exh Pt 2C Sn A - Claims Incur. NONE

12.1 Underwriting Invest Exh Pt 2C Sn B - Claims Incur. NONE

12.2 Underwriting Invest Exh Pt 2C Sn A - Claims Incur. NONE

12.2 Underwriting Invest Exh Pt 2C Sn B - Claims Incur. NONE

12.3 Underwriting Invest Exh Pt 2C Sn A - Claims Incur. NONE

12.3 Underwriting Invest Exh Pt 2C Sn B - Claims Incur. NONE

12.4 Underwriting Invest Exh Pt 2C Sn A - Claims Incur. NONE

12.4 Underwriting Invest Exh Pt 2C Sn B - Claims Incur. NONE

12.5 Underwriting Invest Exh Pt 2C Sn A - Claims Incur. NONE

12.5 Underwriting Invest Exh Pt 2C Sn B - Claims Incur. NONE

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF INCURRED CLAIMS
(000 Omitted)

Title XIX - Medicaid

Section A

Year in Which Losses Were Incurred		Net Amounts Paid				
		1 1997	2 1998	3 1999	4 2000	5 2001
1.	Prior .....	.....	.....	.....	.....	.....
2.	1997 .....	.....	.....	.....	.....	.....
3.	1998	X X X .....	.....	.....	.....	.....
4.	1999	X X X	X X X .....	.....	.....	.....
5.	2000	X X X	X X X	X X X .....	.....	2,008,413
6.	2001	X X X	X X X	X X X	X X X .....	.....

Section B

Year in Which Losses Were Incurred		Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 1997	2 1998	3 1999	4 2000	5 2001
1.	Prior .....	.....	.....	.....	.....	.....
2.	1997 .....	.....	.....	.....	.....	.....
3.	1998	X X X .....	.....	.....	.....	.....
4.	1999	X X X	X X X .....	.....	.....	.....
5.	2000	X X X	X X X	X X X .....	.....	2,008,413
6.	2001	X X X	X X X	X X X	X X X .....	.....

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF INCURRED CLAIMS
(000 Omitted)

Other

Section A

Year in Which Losses Were Incurred		Net Amounts Paid				
		1 1997	2 1998	3 1999	4 2000	5 2001
1.	Prior .....	.....	.....	.....	.....	.....
2.	1997 .....	.....	.....	.....	.....	.....
3.	1998	X X X .....	.....	.....	.....	78,000
4.	1999	X X X	X X X .....	.....	.....	379,000
5.	2000	X X X	X X X	X X X .....	.....	1,197,227
6.	2001	X X X	X X X	X X X	X X X	9,155,652

Section B

Year in Which Losses Were Incurred		Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 1997	2 1998	3 1999	4 2000	5 2001
1.	Prior .....	.....	.....	.....	.....	.....
2.	1997 .....	.....	.....	.....	.....	.....
3.	1998	X X X .....	.....	.....	.....	78,000
4.	1999	X X X	X X X .....	.....	.....	379,000
5.	2000	X X X	X X X	X X X .....	.....	1,272,227
6.	2001	X X X	X X X	X X X	X X X	10,780,657

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF INCURRED CLAIMS
(000 Omitted)

Grand Total

Section A

Year in Which Losses Were Incurred		Net Amounts Paid				
		1 1997	2 1998	3 1999	4 2000	5 2001
1.	Prior .....	.....	.....	.....	.....	.....
2.	1997 .....	.....	.....	.....	.....	.....
3.	1998	X X X .....	.....	.....	.....	78,000
4.	1999	X X X	X X X .....	.....	.....	379,000
5.	2000	X X X	X X X	X X X .....	.....	3,205,640
6.	2001	X X X	X X X	X X X	X X X	9,548,028

Section B

Year in Which Losses Were Incurred		Sum of Net Amount Paid and Claim Liability and Reserve Outstanding at End of Year				
		1 1997	2 1998	3 1999	4 2000	5 2001
1.	Prior .....	.....	.....	.....	.....	.....
2.	1997 .....	.....	.....	.....	.....	.....
3.	1998	X X X .....	.....	.....	.....	78,000
4.	1999	X X X	X X X .....	.....	.....	379,000
5.	2000	X X X	X X X	X X X .....	.....	3,280,640
6.	2001	X X X	X X X	X X X	X X X	11,369,241

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS

	1	2	3	4	5	6	7	8	9
	Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Other
	POLICY RESERVE								
1. Unearned premium reserves									
2. Additional policy reserves (a)									
3. Reserve for future contingent benefits									
4. Reserve for rate credits or experience rating refunds (including \$#####) for investment income									
5. Aggregate write-ins for other policy reserves									
6. Totals (gross)									
7. Reinsurance ceded									
8. Totals (Net) (Page 3, Line 4)									
	CLAIM RESERVE								
9. Present value of amounts not yet due on claims									
10. Reserve for future contingent benefits									
11. Aggregate write-ins for other claim reserves									
12. Totals (gross)									
13. Reinsurance ceded									
14. Totals (Net) (Page 3, Line 5)									
DETAILS OF WRITE-INS									
0501									
0502									
0503									
0598. Summary of remaining write-ins for Line 5 from overflow page									
0599. Totals (Lines 0501 through 0503 plus 0598)(Line 5 above)									
1101									
1102									
1103									
1198. Summary of remaining write-ins for Line 11 from overflow page									
1199. Totals (Lines 1101 through 1103 plus 1198)(Line 11 above)									

(a) Includes \$..... premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

	1 Claim Adjustment Expenses	2 General Administrative Expenses	3 Investment Expenses	4 Total
1. Rent (\$..... for occupancy of own building)		240,000		240,000
2. Salaries, wages and other benefits	353,600	2,716,367		3,069,967
3. Commissions (less \$..... ceded plus \$..... assumed) ...				
4. Legal fees and expenses		401,360		401,360
5. Certifications and accreditation fees				
6. Auditing, actuarial and other consulting services		250,920		250,920
7. Traveling expenses		165,939		165,939
8. Marketing and advertising		24,581		24,581
9. Postage, express and telephone	35,000	110,023		145,023
10. Printing and office supplies		64,629		64,629
11. Occupancy, depreciation and amortization		24,031		24,031
12. Equipment		48,136		48,136
13. Cost or depreciation of EDP equipment and software		164,341		164,341
14. Outsourced services including EDP, claims, and other services				
15. Boards, bureaus and association fees		2,300		2,300
16. Insurance, except on real estate		129,752		129,752
17. Collection and bank service charges		97		97
18. Group service and administration fees				
19. Reimbursements by uninsured accident and health plans				
20. Reimbursements from fiscal intermediaries				
21. Real estate expenses				
22. Real estate taxes		53,103		53,103
23. Taxes, licenses and fees:				
23.1 State and local insurance taxes		79,603		79,603
23.2 State premium taxes				
23.3 Regulator authority licenses and fees				
23.4 Payroll taxes		145,109		145,109
23.5 Other (excluding federal income and real estate taxes)				
24. Investment expenses not included elsewhere				
25. Aggregate write-ins for expenses				
26. Total expenses incurred (Lines 1 to 25)	388,600	4,620,291		(a) 5,008,891
27. Add expenses unpaid December 31, prior year		332,582		332,582
28. Less expenses unpaid December 31, current year		307,857		307,857
29. Amounts receivable relating to uninsured accident and health plans, prior year				
30. Amounts receivable relating to uninsured accident and health plans, current year				
31. Total expenses paid (Lines 26 plus 27 minus 28 plus 29 minus 30) .	388,600	4,645,016		5,033,616
DETAILS OF WRITE-INS				
2501				
2502				
2503				
2598. Summary of remaining write-ins for Line 25 from overflow page				
2599. Totals (Lines 2501 through 2503 + 2598)(Line 25 above)				

(a) Includes management fees of \$..... to affiliates and \$..... to non-affiliates.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 4 - INTEREST, DIVIDENDS AND REAL ESTATE INCOME

		1 Collected During Year	Current Year			5 Prior Year Due and Accrued and Unearned	6 Earned During Year (Cols.1 - 2 + 3 + 4 - 5)
			2 Unearned	3 Due and Accrued (g)	4 Foreign Exchange Adjustment		
	Schedule						
1.	Government bonds	D(a) ..					
1.1	Other bonds (unaffiliated)	D(a) ..					
1.2	Bonds of affiliates	D(a) ..					
2.1	Preferred stocks (unaffiliated)	D(b) ..					
2.11	Preferred stocks of affiliates	D(b) ..					
2.2	Common stocks (unaffiliated)	D ..					
2.21	Common stocks of affiliates	D ..					
3.	Mortgage loans	B(c) ..					
4.	Real estate	A(d) ..					
5.1	Cash on hand and on deposit		164,392				164,392
5.2	Short-term investments	DA(e) .	43,880				43,880
6.	Other invested assets	BA ..					
7.	Derivative instruments	DB(f) ..					
8.	Aggregate write-ins for investment income						
9.	TOTALS		208,272				208,272

						DEDUCTIONS		
10.	Total investment expenses incurred (Part 3, Line 26, Col. 3)						(h).....	
11.	Interest expense							
12.	Depreciation on real estate							
13.	Aggregate write-ins for other deductions							
14.	Total deductions (Lines 10 to 13)							
15.	Net investment income earned (Line 9 minus Line 14)(to Page 4, Line 22)							208,272

DETAILS OF WRITE-INS

0801	.....	.. X X X .						
0802	.....	.. X X X .						
0803	.....	.. X X X .						
0898.	Summary of remaining write-ins for Line 8 from overflow page .....	.. X X X .						
0899.	Totals (Lines 0801 through 0803 plus 0898)(Part 4, Line 8) .....	.. X X X .						

1301	.....						
1302	.....						
1303	.....						
1398.	Summary of remaining write-ins for Line 13 from overflow page							
1399.	Totals (Lines 1301 through 1303 plus 1398)(Part 4, Line 13)							

(a) Includes \$..... accrual of discount less \$..... amortization of premium.
(b) Includes \$..... accrual of discount less \$..... amortization of premium.
(c) Includes \$..... accrual of discount less \$..... amortization of premium.
(d) Includes \$..... for corporation's occupancy of its own buildings.
(e) Includes \$..... accrual of discount less \$..... amortization of premium.

(f) Includes \$..... accrual of discount less \$..... amortization of premium.
(g) Admitted items only. State basis of exclusions for corporation's occupancy of its own buildings:
(h) Includes \$..... interest on surplus notes and \$..... interest on capital notes.

PART 4A - CAPITAL GAINS AND (LOSSES) ON INVESTMENTS

		1	2	3	4	5	6	7
		Realized Profit (Loss) on Sale or Maturity	Realized Foreign Exchange Profit (Loss) on Sale or Maturity	Other Realized Adjustment	Increase (Decrease) by Adjustments	Unrealized Foreign Exchange Gain (Loss)	Net Gain (Loss) from Change in Difference Between Book/ Adjusted Carrying and Admitted Values	Total (Sum of Columns 1 to 6)
1.	Government bonds							
1.1	Other bonds (unaffiliated)							
1.2	Bonds of affiliates							
2.1	Preferred stocks (unaffiliated)							
2.11	Preferred stocks of affiliates							
2.2	Common stocks (unaffiliated)							
2.21	Common stocks of affiliates							
3.	Mortgage loans							
4.	Real estate				(a).....			
5.1	Cash on hand and on deposit							
5.2	Short-term investments							
6.	Other invested assets							
7.	Derivative instruments							
8.	Aggregate write-ins for capital gains and (losses)							
9.	TOTALS							

(Distribution of Line 9, Col.7)

10.	Net realized capital gains or (losses) (Page 4, Line 23)(Line 9, Col. 1 + 2 + 3)							
11.	Net unrealized capital gains or (losses)							

DETAILS OF WRITE-INS

0801	.....						
0802	.....						
0803	.....						
0898.	Summary of remaining write-ins for Line 8 from overflow page							
0899.	TOTALS (Lines 0801 through 0803 plus 0898) (Part 4A, Line 8)							

(a) Excluding \$..... depreciation on real estate included in Part 4, Line 12.

EXHIBIT 1 - ANALYSIS OF NONADMITTED ASSETS AND RELATED ITEMS

		1 End of Current Year	2 End of Prior Year	3 Changes for Year (Increase) or Decrease
1.	Summary of items Page 2, Lines 10 to 16 and 19 to 20, Column 2	55,887	72,191	16,304
2.	Other Nonadmitted Assets:			
2.1	Furniture and Equipment			
2.2	Leasehold improvements	247,349		(247,349)
2.3	Amounts due from agents			
3.	TOTAL (Lines 2.1 to 2.3)	247,349		(247,349)
4.	Loans on company stock			
5.	Aggregate write-ins for other than invested assets			
6.	TOTAL (Line 1 plus 3 through 5)	303,236	72,191	(231,045)
DETAILS OF WRITE-INS				
0501	.....		
0502	.....		
0503	.....		
0598.	Summary of remaining write-ins for Line 5 from overflow page			
0599.	TOTALS (Lines 0501 through 0503 plus 0598) (Line 5 above)			

EXHIBIT 2 - ENROLLMENT BY PRODUCT TYPE

Source of Enrollment		Total Members at End of					6
		1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	Current Year Member Months
1.	Health Maintenance Organizations .....	.....	.....	..... 700	..... 416	..... 350	..... 4,532
2.	Provider Service Organizations .....	.....	.....	.....	.....	.....	.....
3.	Preferred Provider Organizations .....	.....	.....	.....	.....	.....	.....
4.	Point of Service .....	.....	.....	.....	.....	.....	.....
5.	Indemnity Only .....	.....	.....	.....	.....	.....	.....
6.	Aggregate write-ins for other lines of business .....	..... 10,191	..... 10,026	..... 10,326	..... 10,416	..... 14,945	..... 137,257
7.	Total .....	..... 10,191	..... 10,026	..... 11,026	..... 10,832	..... 15,295	..... 141,789
DETAILS OF WRITE-INS							
0601.	Urban Hospital Care Plus .....	..... 10,191	..... 10,026	..... 10,326	..... 10,416	..... 14,945	..... 137,257
0602	.....	.....	.....	.....	.....	.....	.....
0603	.....	.....	.....	.....	.....	.....	.....
0698.	Summary of remaining write-ins for Line 6 from overflow page .....	.....	.....	.....	.....	.....	.....
0699.	Totals (Lines 0601 through 0603 plus 0698)(Line 6 above) .....	..... 10,191	..... 10,026	..... 10,326	..... 10,416	..... 14,945	..... 137,257

Notes to Financial Statement

1. Organization and Operation

Nature of activities and purpose

Ultimed HMO of Michigan, Inc. (the "Corporation") a Michigan for-profit corporation that is a wholly owned subsidiary of Advance Medical Security, Inc., is a state-licensed health maintenance organization ("HMO"), which provides for and/or arranges for the provision of comprehensive prepaid health care services to its members. The Corporation was granted its license on May 15, 1995, and commenced operations on September 1, 1995.

The primary source of revenue consists of: (1) payments received under a contract with the Michigan Department of Community Health for Medicaid eligible individuals that have selected the Corporation to provide for/or arrange comprehensive health care services and (2) a contract with Urban Hospital Care Plus, a patient care management system for Wayne County residents, which is similar in concept and health care coverage to the Medicaid program.

The Corporation contracts with physicians and physician groups for the provision of medical care and compensates them on a capitated or fee-for-service basis. A portion of the capitation payments is retained for settlement of risk-sharing agreements with each of the physicians and physician groups. The net amounts payable to medical providers under such arrangements were \$616,309 for 2001 and \$402,997 for 2000. Additionally, the Corporation contracts with several hospitals which are compensated on a fee-for-service, per diem, discounted charge or diagnostic related grouping ("DRG") basis

Medicaid managed care contract

During 2000, the Corporation submitted an unsuccessful bid to the Michigan Department of management and Budget to continue as a qualified health plan in the State's Medicaid Managed Care Program. Effective September 30, 2000, the Corporation's existing contract with the State ended. In connection with the conclusion of the Medicaid contract, the Corporation transferred its Medicaid members to two other qualified health plans. Included in other revenue in 2000 is \$1,177,125 from these membership transfers. As of December 31, 2001, the Corporation has satisfied all provider claims incurred under the Medicaid contract. Inpatient and outpatient hospital expenses for 2001 include a \$1,103,304 favorable adjustment for reversal of excess Medicaid claims reserve recorded at December 31, 2000. Other revenues for 2001 include a \$218,000 write-off of estimated Medicaid reimbursements accrued at December 31, 2000, which were not realized in 2001.

2. Significant Accounting Policies

a. Basis of presentation

These financial statements have been prepared in accordance with the requirements of the State of Michigan Insurance Code and NAIC Accounting Practices and Procedures Manual.

b. Cash and Cash Equivalents

All highly liquid investments with original maturities of three months or less when purchased are classified as cash equivalents for purposes of the statement of cash flows.

c. Property and Equipment

Fixed assets are recorded at cost. Depreciation is computed over the estimated useful lives of the assets using the straight-line method.

d. Accrued Medical and Hospital Expenses

The cost of health care services provided or contracted for are accrued in the period in which it is provided to a member based in part on estimates, including an accrual for costs incurred but not yet reported.

e. Premium Revenue Recognition

Premiums are recognized as revenue during the period in which the Corporation is obligated to provide service to members.

f. Trust Accounts

State of Michigan

As a condition of licensure with the State of Michigan, the Corporation has entered into a trust indenture agreement with the Insurance Commissioner of the State of Michigan to maintain restricted funds for the sole benefit of the Corporation's members in the case of insolvency.

These funds, which can be used only at the direction of the Insurance Commissioner in accordance with statutory provisions, are invested with Comerica Bank's Trust Department. Interest earned on these funds accrue to, and can be utilized by, the Corporation. As of December 31, 2001 and 2000, the Corporation had reached the required balance of \$500,000.

County Care Trust

As a part of a provider contract with Urban Hospital Care Plus, the Corporation has entered into a trust indenture agreement to maintain restricted funds for the sole benefit of the Corporation's Plus Care members in case of insolvency.

Notes to Financial Statement

Under this agreement, 7-1/2% of the premium revenue received for County Care members is deposited into a trust account. Under the contract, the Corporation must fund this trust account until the balance reaches an amount equal to the average monthly fees (approximately \$1,200,000) as defined in the provider contract. The balance in the trust account at December 31, 2001 and 2000 was \$1,220,628 and \$1,152,386, respectively.

g. Investments

Investments consist of certificates of deposit, recorded at market value, with a term of one year.

2. Summary of Significant Accounting Policies (continued)

h. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

i. Concentration of risk

Financial instruments, which potentially subject the Corporation to concentrations of credit risk, consist principally of cash and cash equivalents.

The Corporation's cash and cash equivalents are located in various institutions. The amounts on deposit in each of two financial institutions exceed the \$100,000 federally insured limit.

At December 31, 2001 and 2000, approximately 97% and 100%, respectively, of the Corporations members were Plus Care members.

j. Reinsurance agreement

The Corporation has a reinsurance agreement to protect against catastrophic losses in excess of \$50,000 per occurrence and \$2,000,000 lifetime per member.

k. Income tax

Deferred income taxes present the estimated future tax effects of temporary differences between the basis of assets and liabilities for financial reporting purposes and such amounts as measured by tax laws and regulations.

3. Related Parties

In 2001, the Corporation entered into an agreement with Ulticare, a related party, to provide telephone, information services and administrative services. Total fees earned for 2001 were \$300,000.

The Corporation is a tenant in a building owned by Community Health Providers, Inc., d/b/a United Community Hospital ("UCH"), a not-for-profit organization. The Chairman of the Board of UCH is the majority shareholder of the Corporation, as well as the principal shareholder of UCH. Rent expense was \$372,000 for 2001 and 2000. Advances made by the Corporation to UCH through December 31, 2000 totaling \$218,693 were repaid by UCH in 2001. The Corporation also has a capitated payment arrangement for some of its members whereby UCH provides medical services. For the year ended December 31, 2001 and 2000, these payments were as follows:

	2001	
2000		
Capitation paid to UCH		
Average monthly membership assigned to UCH	1,790	1,496
Total capitation paid to UCH	\$ 268,531	\$ 269,235
Average capitation payment for each monthly participant	\$ 15	\$ 15

4. Income Taxes

The Corporation is a Michigan-for-profit corporation, and as such is liable for federal and state income taxes. Income tax expense (benefit) as shown in the Statement of Revenues and Expenses is comprised of the following:

	2001	2000
Currently payable (receivable)	\$(407,000)	\$ 267,994
Deferred	\$ 28,000	\$ 24,786
	<u>\$(379,000)</u>	<u>\$ 292,780</u>
Deferred tax assets, loss discounting	\$ 23,894	\$ 46,784
Deferred tax assets, depreciation	<u>21,797</u>	<u>25,407</u>
Net deferred tax asset	<u>\$ 45,691</u>	<u>\$ 72,191</u>

Notes to Financial Statement

5. Information Concerning Parent, Subsidiaries and Affiliates

This information is provided in note 3, Related Parties.

5. Retirement Plans, Deferred Compensation and Other Post-retirement Benefit Plans

This note is not applicable to the Corporation.

5. Dividend Restrictions

The Corporation, under terms of its Certificate of Authority as a health maintenance organization ("HMO"), requires approval from the State of Michigan Department of Consumer and Industry Services, Office of Financial and Insurance Services before declaring and/or paying dividends.

5. Commitments and Contingencies

The liability for unpaid claims represents the Corporation's estimate of the total remaining liability for reported and claims as determined by an independent actuary. The method of making such estimates and for establishing the resultant reserves is continually reviewed and updated, and any adjustments resulting there from are reflected in expense currently. Although management believes that the provision for unpaid claims is adequate, no assurance can be given that the ultimate settlement of these liabilities may not be greater or less than such estimates. The following table summarizes the activity in the liability for unpaid claims.

	2001	2000
Balance, January 1	\$ 4,262,626	\$ 6,594,604
Incurred related to		
Current year	11,417,241	27,129,070
Prior year	<u>(524,986)</u>	<u>908,484</u>
Total incurred	<u>15,154,881</u>	<u>34,632,158</u>
Paid related to		
Current year	9,616,028	23,116,444
Prior year	<u>3,662,640</u>	<u>7,253,088</u>
Total paid	<u>13,278,668</u>	<u>30,369,532</u>
Balance, December 31	<u>\$ 1,876,213</u>	<u>\$ 4,262,626</u>

5. Uncollectible Reinsurance

This note is not applicable to the Corporation.

5. Contingent Liabilities

This note is not applicable to the Corporation.

5. Commutation of Reinsurance

This note is not applicable to the Corporation.

5. Loans Payable

On January 14, 2002, the Corporation obtained financing in the amount of \$650,000 for computer equipment and software acquired in connection with its new information system implementation project. The financing has an interest rate of 7.69% and principal and interest payments in the amount of \$18,675 over 36 months, with a \$65,000 balloon payment at maturity. Proceeds from this equipment loan were used to refinance outstanding accounts payable on this equipment as of December 31, 2001 in the amount of \$551,400. Accordingly, this refinanced obligation is reflected as an equipment loan as of December 31, 2001. Current maturities on this obligation are \$164,820 at December 31, 2001.

5. Leases

This note is not applicable to the Corporation.

5. Gain or Loss to the HMO from Uninsured A&H Plans and the Uninsured Portion of Partially Insured Plans

Notes to Financial Statement

This note is not applicable to the Corporation.

5. Events Subsequent

This note is not applicable to the Corporation.

5. Other Items

Stipulation and Order Agreement

On October 17, 1996, Ultimed HMO of Michigan, Inc. entered into a stipulation and order agreement with the State of Michigan Department of Community Health, Community Public Health Agency and the Department of Consumer and Industry Services Insurance Bureau. The Corporation is required among other things to obtain commissioner approval on certain related party transactions that exceed 3% of admitted assets of the Corporation. The order was subsequently lifted in November 2000.

16. Other Items

Property and Equipment

Property and equipment are recorded at cost and consist of the following:

	2001	2000
Computer equipment	\$ 425,599	\$ 370,488
Computer software	431,698	425,841
Office equipment	38,904	29,856
Leasehold improvements	335,928	335,928
Urgent care leasehold improvements	<u>13,027</u>	<u>13,027</u>
Total	1,245,156	1,175,140
Less – accumulated depreciation	<u>(883,411)</u>	<u>(694,196)</u>
	\$ 361,745	\$ 480,944

At December 31, 2001, the Corporation also has \$794,516 of computer equipment and software acquired in connection with a new information system implementation. The projected start-up date for the new system is July 1, 2002.

SUMMARY INVESTMENT SCHEDULE

Investment Categories		Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
		1 Amount	2 Percentage	3 Amount	4 Percentage
1.	Bonds:				
1.1	U.S. treasury securities				
1.2	U.S. government agency and corporate obligations (excluding mortgage-backed securities):				
1.21	Issued by U.S. government agencies				
1.22	Issued by U.S. government sponsored agencies				
1.3	Foreign government (including Canada, excluding mortgage-backed securities)				
1.4	Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41	States, territories and possessions general obligations				
1.42	Political subdivisions of states, territories and possessions and political subdivisions general obligations				
1.43	Revenue and assessment obligations				
1.44	Industrial development and similar obligations				
1.5	Mortgage-backed securities (includes residential and commercial MBS):				
1.51	Pass-through securities:				
1.511	Guaranteed by GNMA				
1.512	Issued by FNMA and FHLMC				
1.513	Privately issued				
1.52	CMOs and REMICs:				
1.521	Issued by FNMA and FHLMC				
1.522	Privately issued and collateralized by MBS issued or guaranteed by GNMA, FNMA, or FHLMC				
1.523	All other privately issued				
2.	Other debt and other fixed income securities (excluding short term):				
2.1	Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)				
2.2	Unaffiliated foreign securities				
2.3	Affiliated securities				
3.	Equity interests:				
3.1	Investments in mutual funds				
3.2	Preferred stocks:				
3.21	Affiliated				
3.22	Unaffiliated				
3.3	Publicly traded equity securities (excluding preferred stocks):				
3.31	Affiliated				
3.32	Unaffiliated				
3.4	Other equity securities:				
3.41	Affiliated				
3.42	Unaffiliated				
3.5	Other equity interests including tangible personal property under lease:				
3.51	Affiliated				
3.52	Unaffiliated				
4.	Mortgage loans:				
4.1	Construction and land development				
4.2	Agricultural				
4.3	Single family residential properties				
4.4	Multifamily residential properties				
4.5	Commercial loans				
5.	Real estate investments:				
5.1	Property occupied by company			5,490	0.114
5.2	Property held for production of income (includes \$..... of property acquired in satisfaction of debt)				
5.3	Property held for sale (\$..... including property acquired in satisfaction of debt)				
6.	Policy loans				
7.	Receivables for securities				
8.	Cash and short-term investments			4,797,210	99.886
9.	Other invested assets				
10.	Total invested assets			4,802,700	100.000

GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES
GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes[X] No[]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principle insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes[X] No[] N/A[]
Michigan
- 1.3 State Regulating?
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes[] No[X]
- 2.2 If yes, date of change:
If not previously filed, furnish herewith a certified copy of the instrument as amended.
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/1997
- 3.2 State as of what date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/1997
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

05/13/1999
- 3.4 By what department or departments?
Michigan Office of Financial and Insurance Services
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

Yes[] No[X]
- 4.11 sales of new business?

Yes[] No[X]
- 4.12 renewals?
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

Yes[] No[X]
- 4.21 sales of new business?

Yes[] No[X]
- 4.22 renewals?
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[] No[X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? (You need not report an action either formal or informal, if a confidentiality clause is part of the agreement)

Yes[] No[X]
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes[] No[X]
- 7.2 If yes,
- 7.21 State the percentage of foreign control

%
- 7.22 State the nationality(s) of the foreign person(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

1	2
Nationality	Type of Entity

GENERAL INTERROGATORIES (continued)

8. What interest, direct or indirect, has this reporting entity in the capital stock of any other insurance company?
None
9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
PriceWaterhouseCoopers LLP, 400 Renaissance Center, Detroit MI 48243-1507
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with a(n) actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
PriceWaterhouseCoopers LLP, One North Wacker, Chicago, IL 60606, actuary/consultant
11. Except for retirement plans generally applicable to its staff employees, has the reporting entity any agreement with any person, other than contracts with its agents for the payment of commissions whereby it agrees that for any service rendered or to be rendered, that he/she shall receive directly or indirectly, any salary, compensation or emolument that will extend beyond a period of 12 months from the date of the agreement?

Yes[] No[X]
12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITES ONLY:
- 12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes[] No[X]
- 12.3 Have there been any changes made to any of the trust indentures during the year?

Yes[] No[X]
- 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

N/A[]
13. Have the instructions for completing the blank required by this department been followed in every detail?

Yes[X] No[]

BOARD OF DIRECTORS

14. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committees thereof?

Yes[X] No[]
15. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?

Yes[X] No[]
16. Did any person while an officer, director, or trustee of the reporting entity receive directly or indirectly, during the period covered by this statement any commission on the business transactions of the reporting entity?

Yes[X] No[]
17. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees which is in or is likely to conflict with the official duties of such person?

Yes[X] No[]

FINANCIAL

- 18.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.11 To directors or other officers

\$
- 18.12 To stockholders not officers

\$
- 18.13 Trustees, supreme or grand (Fraternal only)

\$
- 18.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 18.21 To directors or other officers

\$
- 18.22 To stockholders not officers

\$
- 18.23 Trustees, supreme or grand (Fraternal only)

\$
- 19.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes[] No[X]
- 19.2 If yes, state the amount thereof at December 31 of the current year:
- 19.21 Rented from others

\$
- 19.22 Borrowed from others

\$
- 19.23 Leased from others

\$
- 19.24 Other

\$
- Disclose in Notes to Financial the nature of each obligation.
- 20.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes[] No[X]
- 20.2 If answer is yes:
- 20.21 Amount paid as losses or risk adjustment

\$
- 20.22 Amount paid as expenses

\$
- 20.23 Other amounts paid

\$

GENERAL INTERROGATORIES (continued)
INVESTMENT

21.1 List the following capital stock information for the reporting entity:

Class	1 Number of Shares Authorized	2 Number of Shares Outstanding	3 Par Value Per Share	4 Redemption Price If Callable	5 Is Dividend Rate Limited?	6 Are Dividends Cumulative?
1. Preferred .....	.....	.....	.....	.....	.... Yes[] No[X] ....	.... Yes[] No[X]
2. Common .....	..... 50,000.000	..... 50,000.000	..... 28.000	..... X X X .....	..... X X X .....	..... X X X

22.1 Were all the stocks, bonds and other securities owned December 31 current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 2 - Special Deposits? Yes[X] No[]

22.2 If no, give full and complete information, relating thereto:

23.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E - Part 2 - Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 23.2) Yes[] No[X]

23.2 If yes, state the amount thereof at December 31 of the current year:

23.21	Loaned to others	\$
23.22	Subject to repurchase agreements	\$
23.23	Subject to reverse repurchase agreements	\$
23.24	Subject to dollar repurchase agreements	\$
23.25	Subject to reverse dollar repurchase agreements	\$
23.26	Pledged as collateral	\$
23.27	Placed under option agreements	\$
23.28	Letter stock or securities restricted as to sale	\$
23.29	Other	\$

23.3 For each category above, if any of these assets are held by other, identify by whom held:

- 23.31
- 23.32
- 23.33
- 23.34
- 23.35
- 23.36
- 23.37
- 23.38
- 23.39

For categories (23.21) and (23.23) above, and for any securities that were made available for use by another person during the period covered by this statement, attach a schedule as shown in the instructions to the annual statement.

23.4 For category (23.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....

24.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes[] No[X]

24.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes[] No[] N/A[X]
If no, attach a description with this statement.

25.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes[] No[X]

25.2 If yes, state the amount thereof at December 31 of the current year \$

GENERAL INTERROGATORIES (continued)
OTHER

26.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$
26.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid
.....

27.1 Amount of payments for legal expenses, if any? \$ 344,672
27.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Tillman & Tillman, P.C. ....	..... 285,505

28.1 Amount of payment for expenditures in connection with matters before legislative bodies, officers or department of government, if any? \$
28.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or department of government during the period covered by this statement.

1 Name	2 Amount Paid
.....

29. What officials or heads of departments of the reporting entity supervised the making of this report?
Michael O. Martin, CFO

30.1 Has any direct new business been solicited or written in any state where the reporting entity was not licensed? Yes[] No[X]
30.2 If yes, explain:

FIVE-YEAR HISTORICAL DATA

	1 2001	2 2000	3 1999	4 1998	5 1997
BALANCE SHEET ITEMS (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 23)	6,442,336	9,138,391	11,439,805	7,270,940	6,903,686
2. Total liabilities (Page 3, Line 18)	3,351,779	5,057,615	7,906,021	4,644,005	4,750,955
3. Statutory surplus					
4. Total capital and surplus (Page 3, Line 26)	3,090,557	4,080,776	3,533,784	2,626,935	2,152,731
INCOME STATEMENT ITEMS (Page 4)					
5. Total revenues (Line 7)	14,988,697	34,767,878	40,203,199	40,979,914	37,005,034
6. Total medical and hospital expenses (Line 14)	11,326,252	28,585,750	32,845,434	34,958,351	29,036,065
7. Total administrative expenses (Line 18)	4,620,291	5,727,472	5,932,778	5,330,256	5,696,606
8. Net underwriting gain (loss) Line 21)	(1,346,446)	454,656			
9. Net investment gain (loss) Line 24)	208,272	360,331			
10. Total other income (Lines 25 plus 26)					
11. Net income or (loss) Line 27)	(1,138,174)	814,987	1,424,987	691,301	2,272,363
RISK-BASED CAPITAL ANALYSIS					
12. Total adjusted capital	3,090,557	4,080,776	3,533,784	2,626,935	X X X
13. Authorized control level risk-based capital	211,794	1,094,662	1,347,087	1,118,953	X X X
ENROLLMENT (Exhibit 2)					
14. Total members at end of period (Column 5, Line 7)	15,295	10,191	25,211	27,972	28,261
15. Total members months (Column 6, Line 7)	141,789	250,385	327,477	345,316	282,286
OPERATING PERCENT (Page4)					
(Item divided by Page 4, Line2)					
16. Premiums earned (Line 2)	100.0	100.0	100.0	100.0	100.0
17. Total medical and hospital (Line 14)	1,621.8	129.9	115.0	119.0	97.0
18. Total underwriting deductions (Line 20)	2,339.0	156.0	136.0	138.0	116.0
19. Total underwriting gain (loss) (Line 21)	(192.8)	2.1	5.0	2.0	8.0
UNPAID CLAIMS ANALYSIS					
(U&I Exhibit, 2B)					
20. Total claims incurred for prior years (Line 11, Col. 5)	4,353,949	7,829,195	3,412,314	3,944,562	1,501,441
21. Estimated liability of unpaid claims-prior year (Line 11, Col. 6)	4,665,623	6,920,712	4,141,531	3,720,914	1,289,736

FIVE-YEAR HISTORICAL DATA (Continued)

		1 2001	2 2000	3 1999	4 1998	5 1997
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES						
22.	Affiliated bonds (Sch. D Summary, Line 25, Col. 1)					
23.	Affiliated preferred stocks (Sch. D Summary, Line 39, Col. 1)					
24.	Affiliated common stocks (Sch. D Summary, Line 53, Col. 2)					
25.	Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Col. 5, Line 11)					
26.	Affiliated mortgage loans on real estate					
27.	All other affiliated					
28.	Total of above Lines 22 to 27					

36 Schedule D - Summary by Country. NONE

36 Schedule D - Verification. NONE

37 Schedule D Part 1A Sn 1 - #1. NONE

38 Schedule D Part 1A Sn 1 - #2. NONE

39 Schedule D Part 1A Sn 1 - #3. NONE

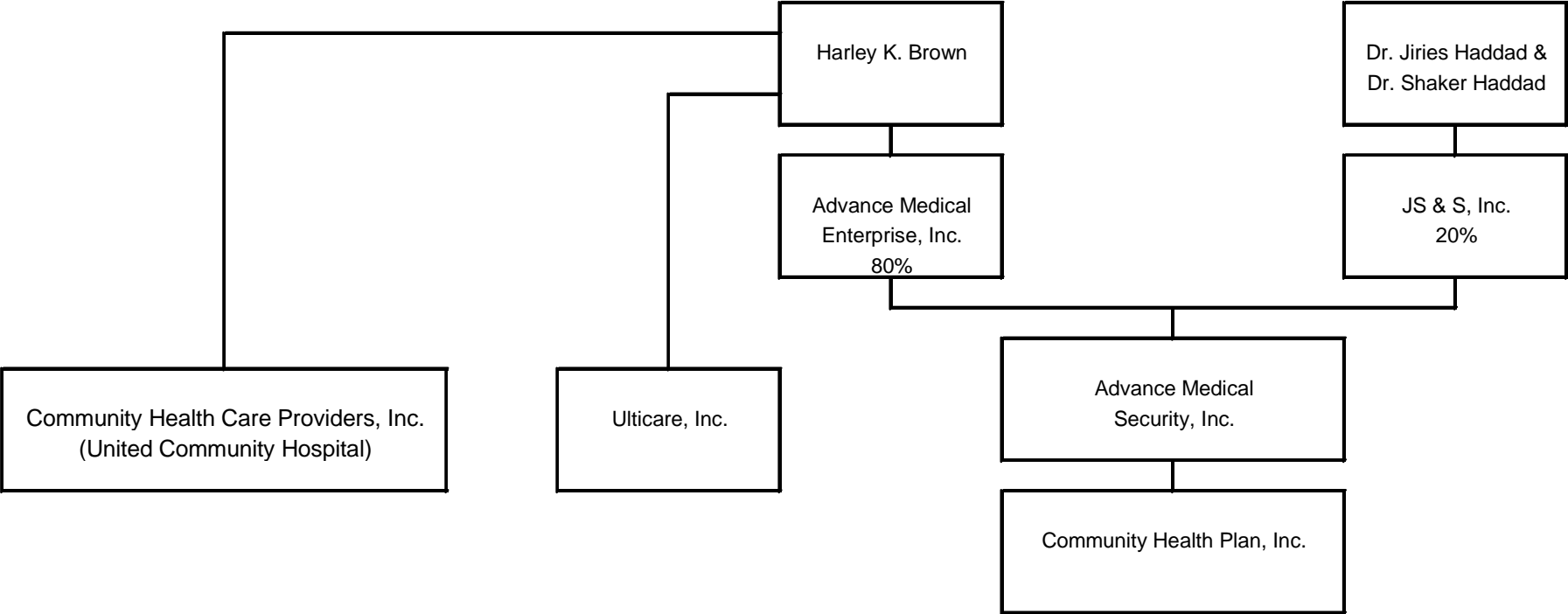
40 Schedule D Part 1A Sn 2 - #1. NONE

41 Schedule D Part 1A Sn 2 - #2. NONE

42 Schedule D Part 1A Sn 2 - #3. NONE

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART

ULTIMED HMO OF MICHIGAN
SCHEDULE OF AFFILIATES



SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

			1	2	Direct Business Only			
			Guaranty Fund (Yes or No)	Is Insurer Licensed (Yes or No)	3	4	5	6
State, Etc.					Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums
1.	Alabama	AL	No	No				
2.	Alaska	AK	No	No				
3.	Arizona	AZ	No	No				
4.	Arkansas	AR	No	No				
5.	California	CA	No	No				
6.	Colorado	CO	No	No				
7.	Connecticut	CT	No	No				
8.	Delaware	DE	No	No				
9.	District of Columbia	DC	No	No				
10.	Florida	FL	No	No				
11.	Georgia	GA	No	No				
12.	Hawaii	HI	No	No				
13.	Idaho	ID	No	No				
14.	Illinois	IL	No	No				
15.	Indiana	IN	No	No				
16.	Iowa	IA	No	No				
17.	Kansas	KS	No	No				
18.	Kentucky	KY	No	No				
19.	Louisiana	LA	No	No				
20.	Maine	ME	No	No				
21.	Maryland	MD	No	No				
22.	Massachusetts	MA	No	No				
23.	Michigan	MI	No	Yes	698,373			
24.	Minnesota	MN	No	No				
25.	Mississippi	MS	No	No				
26.	Missouri	MO	No	No				
27.	Montana	MT	No	No				
28.	Nebraska	NE	No	No				
29.	Nevada	NV	No	No				
30.	New Hampshire	NH	No	No				
31.	New Jersey	NJ	No	No				
32.	New Mexico	NM	No	No				
33.	New York	NY	No	No				
34.	North Carolina	NC	No	No				
35.	North Dakota	ND	No	No				
36.	Ohio	OH	No	No				
37.	Oklahoma	OK	No	No				
38.	Oregon	OR	No	No				
39.	Pennsylvania	PA	No	No				
40.	Rhode Island	RI	No	No				
41.	South Carolina	SC	No	No				
42.	South Dakota	SD	No	No				
43.	Tennessee	TN	No	No				
44.	Texas	TX	No	No				
45.	Utah	UT	No	No				
46.	Vermont	VT	No	No				
47.	Virginia	VA	No	No				
48.	Washington	WA	No	No				
49.	West Virginia	WV	No	No				
50.	Wisconsin	WI	No	No				
51.	Wyoming	WY	No	No				
52.	American Samoa	AS	No	No				
53.	Guam	GU	No	No				
54.	Puerto Rico	PR	No	No				
55.	U.S. Virgin Islands	VI	No	No				
56.	Canada	CN	No	No				
57.	Aggregate other alien	OT	X X X	X X X				
58.	TOTAL (Direct Business)		X X X	1	698,373			
DETAILS OF WRITE-INS								
5701								
5702								
5703								
5798.	Summary of remaining write-ins for Line 57 from overflow page							
5799.	TOTALS (Lines 5701 through 5703 plus 5798) (Line 57 above)							